

To the Members of the California State Assembly:

I am returning Assembly Bill 779 without my signature.

Protecting the personal information of every Californian is very important to me and I am committed to strong laws that safeguard every individual's privacy and prevent identity theft. Clearly, the need to protect personal information is increasingly critical as routine commercial transactions are more and more exclusively accomplished through electronic means.

However, this bill attempts to legislate in an area where the marketplace has already assigned responsibilities and liabilities that provide for the protection of consumers. In addition, the Payment Card Industry has already established minimum data security standards when storing, processing, or transmitting credit or debit cardholder information. This industry has the contractual ability to mandate the use of these standards, and is in a superior position to ensure that these standards keep up with changes in technology and the marketplace. This measure creates the potential for California law to be in conflict with private sector data security standards.

While I support many of the provisions of this bill, it fails to provide clear definition of which business or agency "owns" or "licenses" data, and when that business or agency relinquishes legal responsibility as the owner or licensee. This issue and the data security requirements found in this bill will drive up the costs of compliance, particularly for small businesses.

I encourage the author and the industry to work together on a more balanced legislative approach that addresses the concerns outlined above.

Sincerely,

Arnold Schwarzenegger